With effect from 22nd October 1997, the Reserve Bank of India (RBI) has given freedom to commercial banks to' fix their own interest rates on domestic term deposits of various maturities with the prior approval of their respective Board of Directors/Asset Liability Management Committee (ALCO). As such, the rates of interest on deposits are determined by the banks themselves.

Effective from October 18, 1994, the Reserve Bank of India (RBI) has deregulated the interest rates on advances above Rs. 2 lakhs, including the housing loans and these interest rates are determined by the banks themselves with the approval of their Board of Directors subject to Benchmark Prime Lending Rates (BPLR) and spread guidelines. In order to enhance transparency in banks pricing of their loan products, banks have been advised to fix their BPLR after taking into account (i) actual cost of funds, (ii) operating expenses and (iii) a minimum margin to cover regulatory requirement of provisioning/capital charge and profit margin and ensure that the BPLR truly reflects the actual cost. Given the prevailing credit market in India and the need to continue with concessionality for small borrowers, the practice of treating BPLR as the ceiling for loans upto Rs. 2 lakhs continues. However, Banks are free to determine the rates of interest withouf reference to BPLR and regardless of the size in respect of loans for purchase of consumer durables, loans to individuals against shares and debentures/bonds, other non-priority sector personal loans, etc.

Banks can also offer loans to exporters or other creditworthy borrowers, including public enterprises, at below BPLR on the basis of a transparent and objective policy approved by their respective Boards.

Double Taxation Avoidance Agreements

3790. SHRI MOINUL HASSAN: Will the Minister of FINANCE be pleased to state:

whether Government is considering to review the Double Taxation Avoidance Agreements to curb speculative profiteers from evading tax; and

if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Whenever it comes to the notice of the Government that there is-improper use of the provisions of any Double Taxation Avoidance Agreement (DTAA), measures to review that DTAA are taken in consultation with the treaty partner.

Default Retail Debts

3791. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

whether it is a tact that default Retail Debts amounting to hundreds of crores have been transferred by private/Government banks to Asset Reconstruction Companies;

what is the actual total amount of retail assets gone bad, transferred to Asset Reconstruction Companies;